

Debt got you down? You're not alone. Consumer debt is at an all-time high. What's more, record numbers of consumers are filing for bankruptcy. Whether your debt dilemma is the result of an illness, unemployment, or simply overspending, it can seem overwhelming. In your effort to get solvent, be on the alert for advertisements that offer seemingly quick fixes.

While the ads pitch the promise of debt relief, they rarely say relief may be spelled b-a-n-k-r-u-p-t-c-y. And although bankruptcy is one option to deal with financial problems, it's generally considered the option of last resort. The reason: its long-term negative impact on your creditworthiness. A bankruptcy stays on your credit report for 10 years, and can hinder your ability to get credit, a job, insurance, or even a place to live.

Consumers should read between the lines when faced with ads in newspapers, magazines or even telephone directories that say:

*"Consolidate your bills into one monthly payment without borrowing."*

*"STOP credit harassment, foreclosures, repossessions, tax levies and garnishments," "Keep Your Property."*

*"Wipe out your debts! Consolidate your bills! How? By using the protection and assistance provided by federal law. For once, let the law work for you!"*

You'll find out later that such phrases often involve bankruptcy proceedings, which can hurt your credit and cost you attorneys' fees.

## HOW CAN I TELL IF I'M HEADED FOR CREDIT PROBLEMS?

Certain signals should alert you to act now and avoid serious problems later. If you recognize a few "red

flags," like not being able to make all of your payments or not having enough money left over for groceries, it's time to determine where your money is going and establish a budget (See our Brochure What is a Budget?) When you begin to start to have these problems is the time to notify your creditors of your situation or to seek help.

## ADDITIONAL WARNING SIGNS TO WATCH FOR ARE:

- ◆ **Not knowing for sure how much you owe.** If you can't figure out where your money goes every month, start keeping a record of everything you spend and where you spend it.
- ◆ **Making minimum payments** on your credit card or other revolving loans. If month after month you can only afford to make the "minimum payment due" on your bills, you may be headed for trouble. Not only will it take a long time to pay off your debt, but you're paying a finance charge on your unpaid balance for a longer period of time.
- ◆ **Borrowing money for other financial obligations.** Juggling your bill-paying each month or depleting your savings to pay your bills doesn't fix the problem. It buys you time, but it doesn't control your problem of overspending. Sit down and analyze where your money is going, figure out what you can do without or where you can cut back and then stick to your plan.
- ◆ **Working overtime to keep up with your spending.** Once in a while it may be necessary to work overtime or get a second job to meet personal financial obligations. However, depending on this additional amount every month to offset increased spending can be a trap. Stop, take stock and find a way to live within your means.
- ◆ **Being consistently late with bill payments.** If you find yourself falling behind in your bill payments or routinely making late payments to your creditors, it's

time to reexamine your finances and establish new priorities.

- ◆ **Being denied credit.** Creditors deny credit to people whom they believe are already over-extended or who have had problems paying their bills in the past. If you are denied credit because of negative information contained in your credit bureau report, you have the right to see a copy of the report. The information in the report will show you where you have problems, so you can take steps to correct them.

## WHAT IF I HAVE PROBLEMS PAYING BILLS?

Creditors understand that circumstances such as unemployment or illness can make it very difficult to meet bill payments. If this happens to you, talk frankly with your creditors. Explain the situation and work out a repayment schedule together. Smaller payments over a longer period of time can often get you over a financial hump.

If your situation requires additional assistance, you may, for example contact your local nonprofit NFCC-affiliated budget or credit counseling agency, often called a Consumer Credit Counseling Service. These agencies educate and counsel individuals and families on credit issues. They teach consumers to budget and use credit wisely. When necessary, the agencies work directly with consumers and their creditors to help resolve problems by negotiating a repayment schedule that is affordable for the consumer and acceptable for the creditor. To locate the office nearest you, call 1-800-388-2227.

If you are a home-owner, carefully consider a second mortgage or home equity line of credit. While these loans may allow you to consolidate your debt, they also require your home as collateral.

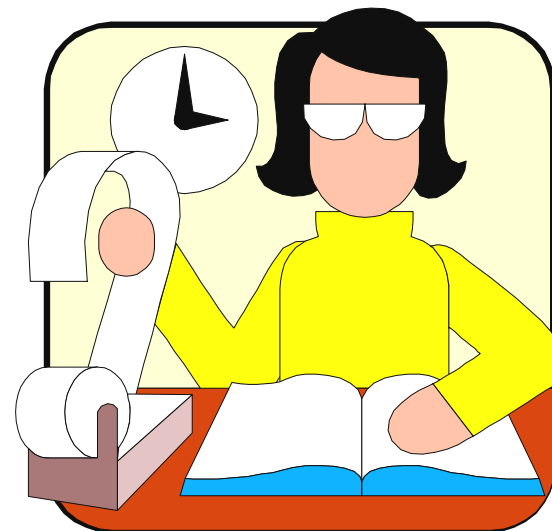
The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
- Credit and Divorce
- Credit and Older Consumers
- Deep in Debt?
- Equal Credit Opportunity
- Fair Credit Reporting
- Fair Debt Collection
- Gold Cards
- Hang up on Fraud
- High Rate Mortgages
- Home Equity Credit Lines
- Indiana Uniform Consumer Credit Code
- Look Before you Lease
- Mortgage Loans
- Repossession
- Reverse Mortgage Loans
- Rule of 78s – What is it?
- Scoring for Credit
- Shopping for Credit
- Using Credit Cards
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



# HOW TO AVOID BANKRUPTCY



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